

Optimizing the performance of MSMEs through financial reporting training

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ABSTRACT

The Moncongloe District is an environment that is rich in potential with many Micro, Small and Medium Enterprises (MSMEs). Business owners in this sector face challenges in managing business finances effectively. Limited financial knowledge is due to the fact that MSMEs do not have a financial background or formal education in this field. This makes it difficult for MSMEs to understand the terms and concepts used in financial reports. This community empowerment program aims to make a positive contribution to business development in Moncongloe District, particularly in recording business finances. The implementation method is through workshops, discussions, questions and answers, and evaluations to provide an understanding of the importance of financial reports for MSMEs. The results of the community empowerment program show that workshop participants experienced an in-depth increase in knowledge about the importance of financial reports which can improve business performance for MSME entrepreneurs and Village-Owned Enterprises (BUMDES) in Moncongloe District, Maros Regency. In addition, participants succeeded in understanding the tools for starting a business, namely the Business Model Canvas and making simple financial records which can help community empowerment partners in developing more structured and innovative MSME businesses.

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1. INTRODUCTION

Community empowerment is conducted through the collaboration between Ciputra Makassar College of Economics and the Local Government of Moncongloe District, Maros, involving Micro, Small, and Medium Enterprises (MSMEs) and Village-Owned Enterprises (BUMDES). Moncongloe District is an area with significant economic potential but faces various dynamics and challenges, particularly in the development of SMEs in the region. The observation results on Friday, July 28, 2023, with the Moncongloe District Government, revealed that SMEs in the area face challenges in their development due to a lack of knowledge, particularly in business financial management. According to data from the Head of Economic and Welfare Section of Moncongloe District, there are 29 SMEs in the area,

distributed across several villages, primarily led by housewives who lack proper understanding of financial business management, hindering the growth of SMEs in Moncongloe. Recognizing the importance of a comprehensive understanding of financial reports as an instrument to enhance SME business, the Moncongloe District Government views financial literacy as crucial. Therefore, in collaboration with the Academic Service Team, efforts are being made to facilitate financial training for business practitioners, especially SMEs and BUMDES managers in Moncongloe District, Maros.

Financial reports play a crucial role in assessing the financial and operational health of a business (Baker & Persson, 2021; Wijekoon et al., 2023). These reports aid in identifying opportunities and challenges for improving business performance, making them a serious concern for both academic research and community service initiatives (Fonseka et al., 2022; Hastuti, 2022; Nurunnabi, 2021; Rohman & Arifin, 2020). The primary issue identified through observations on Friday, July 28, 2023, is the lack of knowledge among SMEs in Moncongloe District regarding financial report recording, making it difficult for them to access banking services.

Understanding the role of financial reports in enhancing business performance is crucial for sustainable local economic development. Financial reports are not merely reflections of financial records; they also mirror the strategies, operations, and the impact of decisions made by stakeholders (Setyawan & Ahmad, 2023; Xie et al., 2021). Owners, managers, and other relevant parties can evaluate both financial and non-financial goal achievements and guide steps towards better results (Asnuryati, 2023). In the context of increasingly complex economic and business dynamics, achieving optimal business performance becomes a primary goal for various entities, including private companies, state-owned enterprises, and even organizational units at the local level, such as district levels.

In the context of community empowerment, conveying knowledge about financial reports becomes a challenging task. The focus of this community service is to assist the Moncongloe community in understanding how financial reports can be a strategic tool to enhance their business performance. Efforts in this community empowerment include providing guidance and training to business practitioners, especially at the micro and small levels, on understanding, interpreting, and taking concrete steps based on the information found in business financial reports.

Furthermore, inviting workshop participants to explore the basic concepts of financial reports, identify relevant metrics for small businesses, and provide real-life examples of how the correct interpretation of information in financial reports can influence business planning and decision-making. This community service activity is not just about providing information but also offering practical insights to help local communities run their businesses more effectively and sustainably. With a focus on community service in Moncongloe District, Maros, this initiative aims to provide new insights into how a better understanding of financial reports can be a useful instrument in achieving better business performance. This collaboration is expected to bring tangible benefits to the community in their efforts to strengthen the local economy and face the evolving economic challenges.

2. METHODS

To enhance business performance through an understanding of financial reports in the Moncongloe Subdistrict, Maros, community service was conducted using a workshop method held on Tuesday, September 5, 2023, at the Moncongloe Subdistrict Office Hall. Workshop participants were drawn from Micro, Small, and Medium Enterprises (MSMEs) and Village-Owned Enterprises (BUMDES) administrators. The workshop method was implemented with the aim of assisting business practitioners and the local community in comprehending, interpreting, and applying information found in financial

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reports. The following outlines the stages of the community service implementation in the Moncongloe Subdistrict, Maros.

Audience to Target Partners

It is important to identify and understand in depth the needs, characteristics and challenges faced by each target partner group. So that service programs can be more effective in conveying relevant information and providing real benefits to the community in Moncongloe District, Maros.

Workshop

The workshop method is carried out through lectures about the importance of understanding financial reports in improving business performance. It covers basic material about financial reports, accounting terminology, as well as how to read and translate information in reports. This method was chosen as the right one to deliver the material by providing explanation and understanding to the participants (Owusu-Agyeman & Moroeroe, 2022; Sharon et al., 2023). Andiani et al., (2023) stated that with the lecture method participants can understand systematically and structured (Fatmawati & Rozin, 2018; Mansir, 2020; Rikawati & Sitingjak, 2020).

Table 1. Activity implementation schedule

Time	Activities	Person in charge
09.00-09.30	Participant registration	Service Team
09.30-10.00	Opening of Moncongloe District Head	Service Team
10.00-11.30	Best practice for managing an effective business	Service Team
11.30-12.30	Discussion & Q&A	Facilitator
12.30-13.20	Break	Service Team
13.20-14.00	Improving business performance through financial reports	Service Team
14.00-15.00	Business Model Canvas	
15.00-15.30	Q&A	Service Team
15.30-16.00	Evaluation (filling in questionnaire & Percentage)	Facilitator
16.00-16.30	Closing	Service Team

Q&A/Discussion

Discussions and questions and answers have several important purposes in various contexts, including improving business performance through financial reports. Some of the main objectives of discussions and questions and answers include exploring participants' understanding of the workshop material and exchanging information, experiences, and knowledge (Setyawan & Ahmad, 2023). This can help in understanding concepts better and exploring new ideas as well as following up on the results of service

Evaluation & Follow-Up

The evaluation measures the impact that has been achieved by the community service program implemented in Moncongloe District. Furthermore, to assess whether the workshop carried out has been

successful or not in achieving the objectives. Questionnaires were given before the activity took place and after the activity took place. The evaluation results can be used to design positive changes in service strategy and follow-up. The workflow of community service carried out in Moncongloe is described in Figure 1.



Figure 1. Community service workflow

3. RESULTS AND DISCUSSION

Audience to Target Partners

The audience with target partners was held on Friday, July 28 2023. The results of the audience with the Head of Moncongloe District regarding the “Improving Business Performance through Financial Reports” program showed a positive response and enthusiasm for this initiative (Figure 2). As a result of discussions with the Head of Moncongloe Subdistrict, it appears that understanding the importance of financial reports in supporting local economic growth has been increasingly emphasized. The Head of Moncongloe District welcomed this program as a very relevant effort to provide real benefits for business actors in the area.



Figure 2. Photo of audience with target partner (District Head of Moncongloe)

During the interview session, the Subdistrict Head of Moncongloe expressed confidence that a better understanding of financial reports can have a significant impact on improving local business performance, particularly in financial planning, strategic decision-making, and effective resource allocation. This perspective is further supported by research indicating that good financial performance enhances sustainable business outcomes (Saygili et al., 2021). The community service partner (Subdistrict Head of Moncongloe) also emphasized the importance of providing access to education and training related to financial reports for Micro, Small, and Medium Enterprises (MSME) and small business operators. They view this program as a tangible step in supporting the economic growth of the Moncongloe Subdistrict.

Furthermore, the Subdistrict Head of Moncongloe shared insights on how this program can contribute to improving financial literacy in the local community. Business practitioners with a better understanding of financial reports can make smarter decisions, manage risks more effectively, and be better prepared to face competition in an increasingly dynamic market. Overall, the Subdistrict Head of Moncongloe supports this program and sees significant potential for providing tangible benefits to the

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local economy while empowering business practitioners in the Moncongloe Subdistrict. The Subdistrict Head of Moncongloe hopes that this program will continue to evolve and be embraced by more business operators in the region.

Workshop on Improving Business Performance through Financial Reports

The workshop on improving business performance through financial reports was held on Tuesday, September 5 2023 at the Moncongloe District Office Hall. Increasing understanding of financial reports through workshop activities, business actors in Moncongloe District are given a basic understanding of financial reports, their important purposes, and how to read and interpret the information in these reports. The in-depth workshop then helps them to understand the various components of financial statements more deeply such as the balance sheet, profit and loss statement, and cash flow.

The team encourages participants to distinguish between expenditures and revenues originating from their business activities. This involves recording sales and purchases in the cash flow statement. Participants are instructed in basic bookkeeping, specifically creating a cash flow statement, to ensure that business finances remain separate from personal expenses. Developing and maintaining financial reports in the Micro, Small, and Medium Enterprises (MSME) sector is crucial. Through accurate and standardized financial reporting, small and medium-sized entrepreneurs can control operational costs, assess business profits and losses, manage accounts payable and receivable, and calculate taxes. The financial reporting obligation for MSME is governed by the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM).



Figure 3. Presentation of material by the speaker

Figure 3 shows the service team when presenting material to participants. The service team as speakers explained the importance of financial reports in managing a business. Others provide insight into how financial reports can be used to improve business performance. Then continued with an explanation related to BMC. It was explained that by using BMC tools, workshop participants could use BMC to design sustainable business models for businesses. BMC helps participants identify various elements that are important in carrying out the initiative, such as customer segments, value offered, distribution channels and revenue sources.

In addition to understanding financial reports, participants are introduced to the Business Model Canvas as a tool to aid them in designing and developing a more structured business model. This is done to enable workshop participants to comprehend how various aspects of business, including partners, revenue streams, and value propositions, are interconnected and can be integrated.



Figure 4. Workshop participants from MSMEs, BUMDES, and the community

With an enhanced understanding of financial reports and the Business Model Canvas, workshop participants can make more intelligent and informed business decisions. They can identify opportunities and risks more effectively, as well as take more precise actions. This workshop also provides an opportunity for partners to interact and collaborate with fellow business practitioners in the Moncongloe Subdistrict. This helps strengthen the local business network and has the potential to create collaborative opportunities.

The outcomes of this community service not only bring direct benefits to the participants but also have the potential for broader impacts on the local economy in the Moncongloe Subdistrict. This is achieved through the improvement of business performance and sustainability, creating opportunities for enhanced economic cooperation and potential job creation.

Q&A/Discussion

The outcomes of the Q&A session conducted to enhance business performance through understanding financial reports indicate a productive interaction between participants and the service team (speakers). This discussion provided a platform for participants to pose questions, share experiences, and seek clarification on various aspects related to financial reports and their implementation in business. This is illustrated in the following in Figure 5.



Figure 5. Q&A session

Figure 5 depicts a high level of interest in understanding how information in financial reports can be practically utilized to enhance business decision-making. The questions posed cover a variety of topics, including tips on starting a business to ensure its continued existence. Another topic raised

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by participants is how to manage finances when initiating a business. The outreach team (speakers) responded carefully to these questions with clear explanations and concrete examples, aiding participants in understanding challenges by providing tips and tricks. This helped participants better comprehend solutions to their issues. A concrete example of this was during the workshop when participants were guided to directly simulate business ideas or existing businesses using tools such as the Business Model Canvas, as illustrated in the following in Figure 6.



Figure 6. Results of participant's BMC (Business Model Canvas)

Discussions encourage the exchange of ideas and practical solutions that can be applied in real situations. Several participants also shared success stories in implementing understanding of financial reports to design more effective business strategies. This discussion & question and answer session succeeded in bringing deeper insight and understanding for participants about how understanding financial reports can improve business performance in various aspects.

Evaluation & Follow-Up

Following a series of activities aimed at enhancing business performance through understanding financial reports, evaluation and follow-up were conducted to measure the achieved positive impact and plan the next steps. The evaluation revealed that most participants felt they gained tangible benefits from this workshop. They reported an increased understanding of the importance of financial reports, how to translate information in financial reports into concrete actions, and how to view financial indicators as tools for measuring business performance. The outcomes of the community service focused on the workshop "Enhancing Business Performance through Financial Reports" in the Moncongloe Subdistrict, Maros Regency, showed a positive impact in improving the understanding and skills of business practitioners, especially Micro, Small, and Medium Enterprises (MSME) in the Moncongloe Subdistrict, in managing their businesses through a more financially focused approach.

The following provides further explanation of the results of the activities based on the post-test distributed after the community service, particularly regarding the questions: (1) Has participants' understanding increased after attending the workshop on business performance through financial reports? (2) Has this workshop provided tangible benefits in enhancing understanding of how financial reports can help improve business performance? The improvement in participants' understanding is illustrated in the following Figure 7.

Based on the two questions posed to measure participants' comprehension regarding financial reports, a total of 37 participants attended the workshop. The graph indicates that 92% had no prior understanding of financial reports. However, post-workshop results revealed that 95% of participants

felt an improvement in their understanding of financial reports in managing their businesses, thus aiding in enhancing the performance of their enterprises. Another evaluation conducted involved the results of participant discussions related to the Business Model Canvas (BMC), which were then percentage-rated by participants to receive feedback from the outreach team. The evaluation encompasses considerations and notes made by workshop participants to enhance their business performance. The following outlines the form of evaluation conducted in Figure 8.

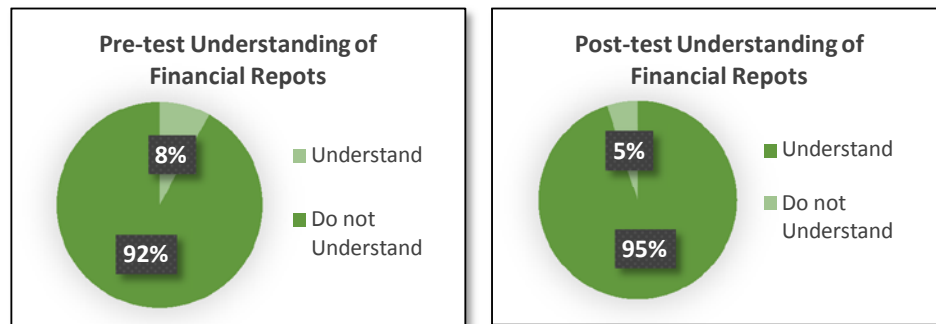


Figure 7. Pre-test dan post-test results



Figure 8. Evaluation of the results of the discussion and the best participant award on best practice of BMC

The proposed follow-up actions encompass various initiatives. Initially, participants have shown a strong interest in advancing their understanding of financial reports by attending advanced training or related seminars. Subsequently, some participants plan to implement the Business Model Canvas concept in redesigning their business strategies. Additionally, some intend to collaborate with fellow participants to address complex business challenges. The evaluation also highlights areas that need more attention in the follow-up. One such aspect is ongoing support in the form of resources and in-depth financial education materials for Micro, Small, and Medium Enterprises (MSME). Moreover, there is a request for a more practical approach and specific case studies to help participants easily connect the theoretical concepts learned during the workshop to the actual business situations they will encounter.

A comprehensive follow-up plan will be developed based on participant feedback and evaluation results. This includes organizing in-depth training, developing additional materials, and creating a sustainable platform where participants can continue to interact, exchange information, and receive support in implementing their understanding of financial reports in their businesses. Overall, this evaluation and follow-up serve as a foundation for the development of a better program that supports sustainable business growth in the future.

4. CONCLUSION AND RECOMMENDATIONS

This community service aims to provide a positive contribution to the business development in the Moncongloe Subdistrict. The outcomes of the community service indicate that workshop participants have experienced a profound increase in knowledge regarding the significance of financial reports, which can enhance the business performance of Micro, Small, and Medium Enterprises (MSME) and Village-Owned Enterprises (BUMDES) practitioners in the Moncongloe Subdistrict, Maros Regency. Another achievement is that participants have successfully grasped tools for initiating businesses, such as the Business Model Canvas, which can assist community service partners in designing more structured and innovative business models. Limitations of this community service include the limited duration of the activity and low participation rates among the target community, stemming from a lack of awareness, inability, or disinterest. Furthermore, not all participants or members of the community involved possess sufficient knowledge or skills to fully benefit from the community service program.

Recommendations for future community service activities include prioritizing more intensive education and training programs to help the community acquire the necessary knowledge and skills. Additionally, involving the community more actively in the community service process is suggested to increase community participation levels.

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